

2017 Regular Session

HOUSE BILL NO. 417

BY REPRESENTATIVE LEGER

TAX/INCOME TAX: Reduces individual income tax rates and reduces the amount of certain deductions

1 AN ACT
2 To amend and reenact R.S. 47:32(A), 241, 293(3)(c) and (10), 300.6(A), and 300.7(A), to
3 enact R.S. 47:293(3)(d), and to repeal R.S. 47:293(4) and (9)(a)(ii), 296.1(B)(3)(c),
4 and 298, relative to the individual income tax; to reduce certain individual income
5 tax rates; to provide relative to the deductibility of federal income taxes; to repeal the
6 deductibility of federal income taxes paid for purposes of calculating individual
7 income taxes; to provide with respect to the deduction for excess federal itemized
8 personal deductions; to reduce the amount of the deduction; to provide for
9 applicability; to provide for an effective date; and to provide for related matters.

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. R.S. 47:32(A), 241, 293(3)(c) and (10), 300.6(A), and 300.7(A) are
12 hereby amended and reenacted and R.S. 47:293(3)(d) is hereby enacted to read as follows:

13 §32. Rates of tax

14 A. On individuals. The tax to be assessed, levied, collected and paid upon
15 the taxable income of an individual shall be computed at the following rates:

16 (1) ~~Two~~ One percent on that portion of the first twelve thousand five
17 hundred dollars of net income which is in excess of the credits against net income
18 provided for in R.S. 47:79;

1 respect to the particular income derived from sources in this state to be computed in
 2 accordance with rules and regulations of the collector of revenue. Proper adjustment
 3 shall be made for the actual tax rates applying to different classes of income and for
 4 all differences in the computation of net income for purposes of federal income
 5 taxation as compared to the computation of net income under this Chapter. Where
 6 the allocation of the tax is to be based on a ratio of the amount of net income of a
 7 particular class, both the numerator and the denominator of the fraction used in
 8 determining the ratio shall be computed on the basis that such net income is
 9 determined for federal income tax purposes.

10 * * *

11 §293. Definitions

12 The following definitions shall apply throughout this Part, unless the context
13 requires otherwise:

14 * * *

15 (3) "Excess federal itemized personal deductions" for the purposes of this
16 Part, means the following percentages of the amount by which the federal itemized
17 personal deductions exceed the amount of federal standard deductions which is
18 designated for the filing status used for the taxable period on the individual income
19 tax return required to be filed:

20 * * *

21 (c) For ~~all~~ tax years beginning on and after January 1, 2009, but before
22 January 1, 2017, one hundred percent of such excess federal itemized personal
23 deductions.

24 (d) For all tax years beginning on and after January 1, 2018, fifty percent of
25 such excess federal itemized personal deductions.

26 * * *

27 (10) "Tax table income", for nonresident individuals, means the amount of
28 Louisiana income, as provided in this Part, allocated and apportioned under the
29 provisions of R.S. 47:241 through 247, ~~plus the total amount of the personal~~

1 ~~exemptions and deductions already included in the tax tables promulgated by the~~
 2 ~~secretary under authority of R.S. 47:295~~, less the proportionate amount of the federal
 3 income tax liability, excess federal itemized personal deductions, the temporary
 4 teacher deduction, the recreation volunteer and volunteer firefighter deduction, the
 5 construction code retrofitting deduction, any gratuitous grant, loan, or other benefit
 6 directly or indirectly provided to a taxpayer by a hurricane recovery entity if such
 7 benefit was included in federal adjusted gross income, the exclusion provided for in
 8 R.S. 47:297.3 for S Bank shareholders, the deduction for expenses disallowed by
 9 I.R.C. Section 280C, the deduction for net capital gains, and personal exemptions
 10 and deductions provided for in R.S. 47:294. The proportionate amount is to be
 11 determined by the ratio of Louisiana income to federal adjusted gross income. When
 12 federal adjusted gross income is less than Louisiana income, the ratio shall be one
 13 hundred percent.

* * *

14
15 §300.6. Louisiana taxable income of resident estate or trust

16 A. Definition. "Louisiana taxable income" of a resident estate or trust means
 17 the taxable income of the estate or trust determined in accordance with federal law
 18 for the same taxable year, as specifically modified by the provisions contained in
 19 Subsection B of this Section, less a federal income tax deduction to be computed
 20 ~~following the provisions of R.S. 47:287.83 and 287.85.~~ in accordance with the
 21 following:

22 (1) In computing Louisiana taxable income, no federal income tax deduction
 23 shall be allowed on net income upon which no Louisiana income tax has been
 24 incurred, or upon which, for any reason whatsoever, no Louisiana income tax will
 25 be paid. When computing Louisiana taxable income, the secretary may consider
 26 reductions to the federal income tax deduction in accordance with the provisions of
 27 this Paragraph.

28 (2) The alternative minimum tax is a federal income tax deductible to the
 29 extent that it is applicable to regular federal taxable income. Any alternative

1 minimum tax paid on tax preference items shall not be deductible. In accordance
2 with the provisions of this Paragraph, the secretary may determine the deductible
3 portion of the alternative minimum tax.

4 (3) For purposes of this Section, federal income taxes shall include taxes
5 based on net income, accumulated earnings, war profits, excess profits, personal
6 holding company income, and tax from recomputation of investment credit. For
7 purposes of federal income taxation as compared to the computation of net income
8 under this Part, proper adjustment shall be made for the actual tax rates as applied
9 to different classes of income and for all differences in the computation of net
10 income. The amount of the federal income tax deduction shall be that portion of the
11 total federal income tax, after application of all credits, which is levied on income
12 derived solely from sources in this state as computed under the rules and regulations
13 prescribed by the secretary.

14 (4) As used in this Subsection, the term "credits" shall not include
15 overpayments of prior year taxes allowed as a credit, estimated tax payments or
16 similar prepayments, credit for prior year alternative minimum tax that is allowed as
17 a credit against the current regular federal income tax, or federal income tax credits
18 determined by the secretary to be presidential disaster area disaster relief credits.

19 * * *

20 §300.7. Louisiana taxable income of nonresident estate or trust

21 A. Definition. "Louisiana taxable income" of a nonresident estate or trust
22 means ~~such~~ the portion of the taxable income of the nonresident estate or trust
23 determined in accordance with federal law for the same taxable year, as specifically
24 modified by the provisions contained in Subsection C of this Section, that was earned
25 within or derived from sources within this state, less a federal income tax deduction
26 to be computed following the provisions of ~~R.S. 47:287.83 and 287.85~~ R.S. 47:300.6.

27 * * *

28 Section 2. R.S. 47:293(4) and (9)(a)(ii), 296.1(B)(3)(c), and 298 are hereby repealed
29 in their entirety.

1 Section 3. The provisions of this Act shall be applicable for all taxable periods
2 beginning on and after January 1, 2018.

3 Section 4. This Act shall take effect and become operative if and when the proposed
4 amendment of Article VII of the Constitution of Louisiana contained in the Act which
5 originated as House Bill No. ____ of this 2017 Regular Session of the Legislature is adopted
6 at a statewide election and becomes effective.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 417 Original

2017 Regular Session

Leger

Abstract: Reduces individual income tax rates from 2%, 4%, and 6% to 1%, 3%, and 5% respectively, reduces the amount of the excess federal itemized personal deductions from 100% to 50% and repeals statutory provisions relative to the deductibility of federal income taxes paid for purposes of calculating individual income taxes.

Present law provides for a tax to be assessed, levied, collected and paid upon the taxable income of an individual at the following rates:

- (1) 2% on the first \$12,500 of net income;
- (2) 4% on the next \$37,500 of net income;
- (3) 6% on net income in excess of \$50,000.

Proposed law retains present law with respect to the brackets but reduces income tax rates from 2%, 4%, and 6% to 1%, 3%, and 5% respectively.

Present law authorizes a deduction from individual income taxes for excess federal itemized personal deductions. Excess federal itemized personal deductions is defined to mean 100% of the amount by which the federal itemized personal deductions exceed the amount of federal standard deduction designated for the filing status used for the taxable period on the individual income tax return.

Proposed law reduces the amount of the deduction from 100% to 50% for all tax years beginning on and after Jan. 1, 2017.

Present constitution and present law authorize a state deduction for federal income taxes paid for purposes of computing individual and corporate income taxes for the same period.

Proposed law repeals the state deduction for federal income taxes paid for purposes of calculating individual income taxes.

Applicable for all taxable periods beginning on or after Jan. 1, 2018.

Effective if and when the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. ____ of this 2017 R.S. of the Legislature is adopted at a statewide election and becomes effective.

(Amends R.S. 47:32(A), 241, 293(3)(c) and (10), 300.6(A), and 300.7(A); Adds R.S. 47:293(3)(d); Repeals R.S. 47:293(4) and (9)(a)(ii), 296.1(B)(3)(c), and 298)